

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: November 17, 2010

Board Item: V-A-1

## Adoption of Water Rates for 2011

Action by Consent

**Action**

Information

Staff recommends adjustments to existing water rates for customer meters read on or after March 3, 2011.

### STUDY FINDINGS AND RECOMMENDATIONS

- Financial Plan

Water sales revenue under existing 2010 rates is inadequate to meet 2011 revenue requirements, debt service coverage, and maintain adequate reserves; therefore, a revenue adjustment of 10.4%<sup>1</sup> in 2011 is proposed. Table 1 summarizes the 2011 revenue requirements.

Table 1 Revenue Requirements	
Description	Revenue Requirement (millions)
Operation and Maintenance Expense	\$186
Debt Service	41
Cash-funded capital	<u>57</u>
<b>Total 2011 Revenue Requirements</b>	<b>\$284</b>

These revenue requirements are met from \$247 million of water rate revenues from the proposed 2011 water rates, \$22 million of miscellaneous revenues, and \$16 million of reserves.

- Cost of Service Analysis

Allocation of the cost to provide service to customer classes is necessary in the development of equitable water rates. Cost allocations recognize class usage, peak rates of demand, number of customers, and fire protection requirements. Table 2 on the next page shows the percentage change to each customer classes' cost to provide service.

<sup>1</sup> The 10.4% adjustment is proposed to be implemented on March 3, 2011. The amount of additional revenue recovered from this increase is equal to 9.5% if implemented over a 12-month period.

Table 2 2011 Cost of Service Adjustment				
Description	2010 Projected Revenue	2011 Net Revenue Requirement	Change	
			\$	%
Inside City	\$98.6	\$109.3	\$10.7	10.8%
Outside City	<u>126.5</u>	<u>137.2</u>	<u>10.7</u>	8.5%
<b>Cost of Service Adjustment (1)</b>	<b>\$225.1</b>	<b>\$246.5</b>	<b>\$21.4</b>	<b>9.5%</b>

1. Annualized increase. This increase is equivalent to a 10.4% over a 10-month period.

- Proposed 2011 Rates

The principle concern in establishing water rate schedules is to design rates commensurate with the cost of providing water service. The proposed 2011 rates retain the current structure. Attachment #1 includes full proposed 2011 Denver Water rate schedules.

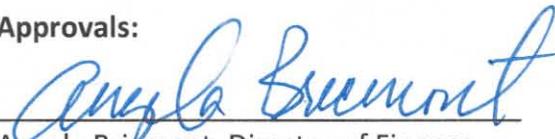
- Public Participation

Public comment on proposed 2011 water rates was taken at the Board Workshop on November 10, 2010 and a public participation meeting was held by the Citizen's Advisory Committee on the evening of October 21, 2010. Proposed 2011 water rates were presented to the Outside City Distributor's Forum on October 19, 2010. In addition, the City and County of Denver rate increase was discussed with the Building, Workforce, and Sustainability Subcommittee on October 13, 2010.

- Recommendation

It is recommended the board approve the proposed water rates for 2011 shown in Attachment #1.

Approvals:

  
Angela Bricmont, Director of Finance

Respectfully submitted,

  
James S. Lochhead